

# **WORKSHOP**

## **ECONOMIC DEVELOPMENT ISSUES**

### **BACKGROUND**

- Vision Statement #7, Strategy #1d “Review incentive package guidelines as they relate to business parks”
- B/CS EDC guidelines reviewed every two years
- Economic development guidelines effective for two years according to State law
- City Council last reviewed policies on February 10, 2000

## AREAS OF DISCUSSION

- City contract provisions
- EDC economic development guidelines
- Incentive thresholds and economic impact analysis
- Other issues

## CITY CONTRACT PROVISIONS

## City Contract Provisions

- Issue: Shell corporations, real estate holding companies, subsidiaries and affiliates as parties to contracts

Recommendation: Contracts must be backed by parent corporation, debt guarantee, or performance bond in most cases

## City Contract Provisions

- Issue: Default clause provides for \$30,000 per acre lien on property

Recommendation: Use \$75,000 per acre (current market appraisal) and adjust as new market appraisals become available

## **City Contract Provisions con't**

- Issue: City reversionary interest in property for failure to start construction  
Recommendation: Continue policy
- Issue: City's remedy for cessation of operation or not completing construction  
Recommendation: Clarify language/increase penalties

## **City Contract Provisions con't**

- Issue: Recovery of grant funds for permits/fees in cases of default  
Recommendation: Add provision for repayment of permits/fees

## **City Contract Provisions con't**

- Issue: Provisions in contract that allow assignment without City Council approval

Recommendation: Make contracts unassignable without City Council approval

## **City Contract Provisions con't**

- Issue: Amendments to contracts for delays of construction and payroll

Recommendation: Provide a cure period

- Issue: Policy on first priority liens

Recommendation: Require first priority lien in most cases

## **City Contract Provisions con't**

- Issue: Policy on first right of refusal and option to purchase land/buildings  
Recommendation: Pursue provision in contracts
- Issue: Provisions relating to maintaining workforce (default event)  
Recommendation: Clarify and use stronger language

## **City Contract Provisions con't**

- Issue: Companies that are delinquent in property taxes  
Recommendation: Cash, abatement and other incentives are delayed until taxes are no longer delinquent

## **EDC GUIDELINES ISSUES**

### **Current Target Industry List**

- Biotechnology
- Call Centers
- Corporate headquarters operations
- Distribution
- Information Technology
- Manufacturing
- Recycling and products from recycled materials
- Value added to agriculture
- Technology Transfer

## **Target Industry List**

- Recommendation:

Delete: Recycling and products from recycled materials

Add: “Knowledge-based/R&D companies”

## **Economic Impact Analysis/ Contract Provisions**

- Issue: Definition for “full-time” and “part-time” employees

Recommendation: Clarify and develop standard definitions



## **Incentive Thresholds/ Economic Impact Analysis**

- Issue: Wage standards and eligibility for incentives

Recommendation: In "Primary Community Incentives" table, full-time and part-time jobs under established community wage benchmarks do not count toward payroll thresholds for incentives

## **Economic Impact Analysis con't**

- Issue: \$30,000 value per acre of land used in economic impact analysis

Recommendation: Continue to use \$30,000 per acre

- Issue: Employee benefits package info

Recommendation: Request information in "application for incentives"

## **Incentive Thresholds**

- Issue: Companies with an annual payroll of \$250,000 qualify for up to 3 acres of land
- Recommendation: Land incentive is not available for companies with a gross payroll under \$500,000 unless combined with \$2 million capital investment

## **Due Diligence**

- Issue: Need for written due diligence report developed by expert and clear submittal process
- Recommendation: EDC retains expert when required by EDC Board, City or EDC staff to conduct due diligence, especially for industries which are difficult to evaluate.

## **Due Diligence con't**

- Example process:
  - (1) Expert submits report to an EDC Board Due Diligence Subcommittee (bankers, accountants, etc)
  - (2) A written report is submitted to the staff, EDC Board, and gov't entities
- Other resources: Baron's, Standard & Poors, Moody's

## **OTHER ECONOMIC DEVELOPMENT ISSUES**

## **Other Economic Development Issues**

- List Business Center property with national corporate real estate company; if EDC/City identifies the client, no commission is paid